

# Kentucky Agricultural Development Board

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## *Minutes of the December Board Meeting*

The regular meeting of the Kentucky Agricultural Development Board was held on **Friday, December 19, 2003** at **1:30 p.m.**, at the Kentucky History Center's Brown-Forman Room, Frankfort. Governor Ernie Fletcher, presiding, called the meeting to order, and the Secretary called the roll.

### **Members Present**

Susan Harkins, Wayne Hunt, Sam Lawson, Sam Moore, Eddie Sellers, Michael Slaughter, Sidney Stewart, Commissioner Billy Ray Smith, Dean M. Scott, Smith, Smith Mitchell for Secretary Gene Strong, and Governor Ernie Fletcher.

### **Members Absent**

Vickie Yates Brown, Daniel Case, Larry Clay, and Willa H. Poynter

### **Others Present**

**Staff** - David Bratcher, Laurie Dudgeon, Sandy Gardner, Kara Keeton, Marjorie May, Bill McCloskey, Joel Neaveill, Brad Nelson, Keith Rogers, Brad Wellons, Stephen Yates **Guests** – Harvey Mitchell, Anderson Circle Farm; Maner Ferguson, Lexington-Fayette Urban-County Government (LFUCG); Billy Van Pelt, LFUCG; Patrick Jennings, Kentucky Department of Agriculture (KDA); Craig Maffet, KDA; Dave Maples, Kentucky Cattlemen's Association (KCA); Gretchen Schultz (KCA); Blake Oliver, Community Farm Alliance (CFA); Brian Ellerman, Northern Kentucky Farmers' Market (NKFM); George Heeger, NKFM; Steve Coleman, KY Division of Conservation; Margaret Graves, Rural Land Management Board (RLMB); Frank Penn, RLMB; Janet Eaton, KDA; Biff Baker, Legislative Research Commission (LRC); John Stevenson, KY Beef Network; Dick Lajoie, Belcan Partners; Robert Gebbie, Belcan Partners; Rich Hempel, Belcan Partners; Janet Crocker, Pig Improvement Company (PIC); Tim Crocker, PIC; Yvan Boutin, PIC

### **Notification of Media**

Governor Fletcher received verification from Keith L. Rogers, Chief Executive Officer, that the media had received notice regarding the Agricultural Development Board meeting.

### **Welcome**

Governor Fletcher welcomed everyone to the meeting, his first as Chair. Governor Fletcher shared the vision of his administration with the group: restoring hope and opportunity. The major focus of that vision is economic opportunity; agriculture is an important component of that economy. We have the opportunity to move the agriculture industry in Kentucky forward.

Governor Fletcher recognized Keith Rogers, as the new Executive Director of the Office of Agricultural Policy.

Governor Fletcher opened the floor for questions. He noted that his office open to you [the Board].

Sidney Stewart commented that many are curious on how interested the legislature is in some of our money. Governor Fletcher responded that we [the Administration] hope that all money coming into Kentucky is spent wisely; there is a commitment and hope that the commitment will remain at 50% of the Tobacco Settlement Funds are available for Agriculture. Governor Fletcher noted that he wants ot work to take this initiaive to the next level by working with Cabinet for Commerce and the Economic Development Cabinet; the Administration wants to produce synergism with groups and tie initiatives together.

Sam Lawson complimented Governor Fletcher on his appointment of Keith Rogers to the Office of Agricultural Policy.

Governor Fletcher yielded Chair of the meeting to Commissioner Billy Ray Smith. Governor Fletcher thanked everyone for his or her service.

## **Approval of Minutes**

The minutes of the November 21, 2003 meeting were approved as presented.

## **Executive Director's Report**

Keith Rogers, newly appointed Executive Director, welcomed everyone. Looking forward to this opportunity. Mr. Rogers noted that he would like to take time to talk individually with each of the Board members to learn more about each of them, their concerns, goals & ideas for this board.

Mr. Rogers announced that 2003 Phase II Checks would be mailed December 30. This year approximately 159,618 checks for a total of \$127, 714,950.74 will be distributed to Kentucky farmers. Governor Fletcher will hold a press conference near the distribution date.

Mr. Rogers introduced Patrick Jennings, Deputy Commissioner/Chief of Staff for the KY Department of Agriculture (KDA), and Craig Maffet, General Counsel for KDA. Mr. Rogers noted that he and Mr. Jennings will be meeting once a week to work together and share information. Mr. Rogers noted that he and Mr. Jennings are going to do everything they can to move the agriculture community along together with a good working relationship between the Department of Agriculture and the Executive Branch.

Mr. Rogers noted that there are several unresolved issues that will be covered at the January meeting. First, the match issue needs more work, and he wants to run it past Governor Fletcher. Mr. Rogers asked that the Board hold this issue over until January. Second, suggested changes to the model programs will be made available for review at the January meeting.

Mr. Rogers noted that there have been questions about the status of staff in the Governor's Office of Agricultural Policy. He noted that Joy Cudd and Jeff Belcher had resigned their positions. There are thirteen staff members currently in the office. He noted that he is

working with personnel, and has received a few applications to fill at least one position. Mr. Rogers noted that he should have a better update on staffing situation at the January meeting.

Mr. Rogers announced that the system for making payments on agreements to a more efficient method. Thanks to hard work of Bill Hearn, David Bratcher, Joel Neaveill, and others, GOAP has sent the first four checks from its office to test the new system. This new procedure will allow staff to get the money processed faster. The state Treasury will print and mail the checks. Mr. Rogers and Mr. Neaveill will approve these payments electronically, and a letter will be sent to the applicant.

Mr. Rogers turned the meeting over to David Bratcher.

Mr. Bratcher noted that the Board is required to appoint its Chief Executive Officer (CEO); therefore, a motion needs to be made to choose the new CEO. Mike Slaughter moved that Keith L. Rogers be named CEO of the Agricultural Development Fund; Sam Moore seconded the motion. The motion was approved by acclamation and Keith L. Rogers was named as CEO of the Agricultural Development Fund.

Mr. Bratcher updated the Board on the Tobacco Settlement Agreement Fund Oversight Committee December meeting. The meeting was a report of the November projects funded or denied. Mr. Bratcher noted that there was significant discussion on a couple of the projects. Mr. Bratcher also noted that Community Farm Alliance gave a presentation on their Marketing Plan proposal.

#### **Program Report – Purchase of Development Rights (PDR)**

Commissioner Smith turned the meeting over to Margaret Graves and Frank Penn from the Lexington Fayette Urban County Government Purchase of Development Rights Program (PDR). *[A copy of the presentation is on file with the Board Secretary.]*

Ms. Graves introduced herself and covered the reasons why preservation of rural farmland is important.

Mr. Penn covered the agricultural economic benefits and concerns. He covered the number of farms and acres protected through the program.

Mr. Penn reviewed the development pressures on farmland.

Ms. Graves reviewed the goals of the PDR program. Ms. Graves also explained how the value of the purchased development right is determined.

Mr. Penn reviewed the major principles of the program and the representation on the PDR Board.

Ms. Graves summarized the effect of a rural plan and the PDR program.

Mr. Penn reviewed the types of farms under easement, as well as detail on the number of protected tobacco farms.

Mr. Penn described photos of farms that are currently under easement through this program.

Ms. Graves announced that Fayette County is hosting the 2004 American Farmland Trust National Conference, November 15 – 17.

Ms. Graves thanked the Board and they hope this program will benefit other counties across the Commonwealth.

Mr. Penn and Ms. Graves thanked the Board for the opportunity to present to them.

Commissioner Smith noted that there are several counties looking to this program as a model. He also noted that this program and the Purchase of Agricultural Conservation Easements (PACE) program have worked together well.

Commissioner Smith also noted that USDA has in the last several years increased its budget for farmland preservation for these types of programs.

Mr. Penn noted that Marion County Florida is very interested in implementing this type of program.

Sam Moore asked what the average price per acres. Ms. Graves stated that the average is \$2,500 per acre.

Mr. Lawson asked what is being accomplished with purchasing a block here and a block there...it looks spotty on the map. Mr. Penn noted that only 10,000 acres have been purchased to date. The goal is to eventually see larger blocks become protected through this program.

### **Informational Report: Belcan Partners Presentation**

Commissioner Smith recognized Dick Lajoie, Belcan Partners. [*A copy of the presentation is on file with the Board Secretary.*] Mr. Lajoie introduced himself and shared information about Belcan and Belcan Partners, LLC.

Mr. Lajoie reviewed Dr. Lee Todd's address to the Board at its October 2003 meeting.

Mr. Lajoie reviewed their upcoming funding request. He noted that it would not be a grant, but an equity investment.

Mr. Lajoie reviewed the opportunities possible through this potential joint venture between Belcan Partners and the Agricultural Development Board.

Mr. Lajoie reviewed the founding vision of Belcan Partners, LLC.

Mr. Lajoie reviewed the partnerships plan to create a northeast technology corridor.

Mr. Lajoie reviewed the targeted markets in which Belcan Partners is establishing relationships. He also reviewed specific applications developed for agriculture use ("Farm Enterprise Application").

Mr. Lajoie reviewed the strengths of each of the potential partners in the proposed venture.

Mr. Lajoie reviewed key benchmarks, as well as the investment of the partners. He also described the return on investment/benefits for the program.

Mr. Lajoie highlighted points of the presentation and reiterated that they are not asking for a grant, but an equity investment.

Commissioner Smith opened the floor for questions.

Mr. Lawson shared his passion for distance learning and giving farmers the tools to run the farm as a business. He also commented on the strengths of each of the partners involved.

Mr. Lajoie expanded on the potential for this project to spur other ideas and other options.

Harvey Mitchell shared his perspective on how the process/program was developed for Anderson Circle Farm and how it has worked for the business.

Dean Scott Smith noted it that there seem to be two applications being discussed (animal tracking vs. farm management). Mr. Mitchell addressed the question. Mr. Lajoie added that there were different modules within the application.

Dean Smith restated that there seem to be two separate problems requiring separate software solutions. Mr. Lajoie responded that there are separate databases; the data can be manipulated to track whatever is being tracked. It is not a different program, but a different component of the program.

Dean Smith asked what they are proposing to do; what are the deliverables. He asked if they were starting with the Anderson Circle application/software and making it more user friendly and marketable for general farm use, then tacking on the animal tracking issue. Mr. Lajoie confirmed this, and that they would work with the Board on the second issue.

Dean Smith asked if the equity investment is in Belcan Partners or the software application. Mr. Lajoie indicated that the equity investment was in the software application.

Mr. Moore noted that at first blush an arrangement for equity investment may be more suited for KY Agricultural Finance Corporation (KAFC). Mr. Lajoie noted that this was one of the issues to be addressed, as far as which entity can hold an equity investment.

Commissioner Smith noted that we need to move on, so only one more question will be taken.

Eddie Sellers asked about who will make the decision for which program will have to be used for program that will be the flagship for livestock tracking. Mr. Mitchell noted that the decision would be made at the Federal level. Mr. Sellers noted that we would be gambling that this program was chosen as the technology for animal identification. Mr. Mitchell noted that the animal tracking issue was only one portion of the program package.

Dean Smith noted that the COOL legislation forbids a national tracking software program. Dean Smith also noted that there are two separate problems – COOL and Food Safety / Bio-terrorism.

Mr. Sellers asked if the success of this program is going to rely on it being selected as one of the software programs for COOL. Mr. Lajoie indicated that the success of this investment does not depend on having a large portion of the market for this software program.

Mr. Lawson commented on using an integrated program vs. separate programs from separate companies.

Mr. Lajoie projected that the whole thing will be operational by mid-2004.

Mr. Rogers noted that the current statutes do not allow the KAFC to own a piece of a company or other intangible property.

### **Project Report: Farm Markets Study**

Commissioner Smith introduced Dr. Tim Woods, UK Agricultural Economics, and Jim Mansfield with the KY Department of Agriculture to present their findings regarding state farmers' markets. *[A copy of the presentation and report is on file with the Board Secretary.]*

Mr. Mansfield gave background on the state farmers' market issue.

Mr. Mansfield began with the recommendations of their study: Build the first of a network of three State Farmers Markets: a. set aside \$8-10 million dollars to build the first market; b. ask KDA to develop a complete business plan to locate, build, and operate a state farmers' market that will maintain a positive cash flow; and c. when provided with an acceptable plan, fund the first market. Mr. Mansfield reviewed the reasons for the recommendation.

Mr. Mansfield reviewed the significance of the North Carolina model for state farmers' markets. Mr. Mansfield reviewed statistics for each of the five North Carolina markets.

Mr. Mansfield gave a tour of a typical North Carolina farm market facility; he noted that all of North Carolina markets have both a retail garden center and a restaurant.

Mr. Mansfield yielded the floor to Dr. Woods. Dr. Woods reviewed the key factors for success of a venture such as this. He noted that the key factor is location, based on both consumers and producers.

Dr. Woods noted the advantages of state owned facilities: network of markets, resource sharing, etc.

Dr. Woods directed the Board to page 3 of their report for a more detailed explanation of their recommendations.

Dr. Woods reviewed the results of a couple of surveys in Kentucky related to this issue.

Dr. Woods summarized their recommendations and reasons for these recommendations.

Commissioner Smith opened the floor for questions or comment.

Commissioner Smith noted that a lot of work had gone into this project and thanked them for their hard work.

Dean Smith asked how the Board will proceed on this issue, and noted that if we want the Department of Agriculture to take the lead on this, then we need to invite/ask them.

Commissioner Smith noted that the Board might not want to make a decision today, but review the more detailed document.

Mr. Lawson noted that there is one question that needs to be asked – what factors determined that North Carolina was successful. Dr. Woods noted that North Carolina is restructuring their fees to alleviate the issue of several markets operating in the red. Dr. Woods noted that if the fee structure is set up correctly at the beginning, then this problem could be alleviated, as far as covering operating costs.

Mr. Sellers asked how the farmers like the markets. Dr. Woods pointed out farmer testimonials in the report; there is a positive view from the farmers towards the markets.

Susan Harkins shared her perspective on these markets, beyond North Carolina.

Mr. Hunt pointed out that the structure looks backwards, as far as the farmers getting their share, before the operating expenses are covered.

Mr. Sellers pointed out the entire structure of agriculture relies on subsidies.

Dr. Woods noted that they are not ready to say exactly where to put the sight, but there is good information available for the Department of Agriculture to use in the development of the business plan.

Mr. Rogers suggested that GOAP staff brief Commissioner Farmer and then continue the discussion at the next meeting.

## **Project Report: KY Cattlemen's Association (KCA) Marketing**

Commissioner Smith yielded the floor to Dave Maples, KCA Executive Vice President, to update the Board on the investment the Board has made in KCA's marketing effort.

Mr. Maples reviewed the structure of the Cattlemen's Association. The KCA Executive Committee meets monthly to review finances and scope of work of the five major projects under its purview.

Mr. Maples noted that all grants received by KCA (Beef Network I and II, the Market Development Fund project, and KY Ag Promotion Grant) have their own checking accounts for tracking each investment.

Mr. Maples reviewed the Education component of the Kentucky Beef Network (KBN): Master Cattlemen Program.

Mr. Maples reviewed the Marketing component of the KBN: CPH-45 Sales.

Mr. Maples reviewed the Certification component of the KBN: BQA, CHAPS.

Mr. Maples reviewed the Innovation component of the Livestock Market Development Project: EID project, auction markets, Internet sales, and concentration points.

Mr. Maples reviewed the structure of the Ag. Promotion Grant. Mr. Maples yielded the floor to Gretchen Schultz reviewed the activities of the AG Promotion Grant and shared several of the adds developed.

Objective 1: Promoting the achievements of cattle, hog and vegetable producers and their producer groups that have received funding from the Agriculture Development Board. First advertisements KY Living, Lane Report (general ag. add); future ads will be product specific; radio campaign

Objective 2: Increasing marketing efforts for cattle, hog and vegetable producers, in order to make the commodity a consumer demanded and viable end product. Each group involved is determining ways to best develop each market. Example: Next Magazine (Lane Report youth magazine for each HS senior across the state) – "Healthy Eating 101."

Objective 3: Create promotion initiatives that focus on buyers of Kentucky cattle, and assist those buyers in distinguishing Kentucky cattle from others in terms of quality and consistency. Example: advertisement with list of sales and the requirements for CPH-45 ran in several national publications (Cow Country News, etc.); this ad has provided a lot of PR and generated interest in the CPH program in other states; articles about KY cattle in state and national publications.

Commissioner Smith opened the floor for questions and comments.

Mr. Sellers noted that it was a nice presentation.



Commissioner Smith commented on trends in the cattle industry, along with Kentucky's progress in forages and cattle

Mr. Maples interjected that KCA has been in contact weekly with a variety of organizations regarding the EID issues (e.g. databases, software, etc.).

### **Referral of August Projects<sup>1</sup>**

Mr. Rogers presented projects A2003-0627 to A2003-0662 for referral to the Board's Project Review Committees. Mr. Lawson moved that projects A2003-0627 to A2003-0662 be referred to the Board's Project Review Committees; Mr. Slaughter seconded the motion. The motion passed without dissent.

### **Approval of Model Programs<sup>2</sup>**

Mr. Rogers submitted projects A2003-0430, A2003-0600, A2003-0610, and A2003-0642 as projects meeting the model **Agricultural Diversification Program** guidelines.

Mr. Rogers submitted projects A2003-0620 and A2003-0643 as projects meeting the model **Fencing Improvement Program** guidelines.

Mr. Rogers submitted projects A2003-0621 and A2003-0639 as projects meeting the model **Forage Improvement & Utilization Program** guidelines.

Mr. Rogers submitted projects A2003-0619 as a project meeting the model **Genetics Improvement Program** guidelines.

Mr. Rogers submitted projects A2003-0605, A2003-0606, A2003-0617, and A2003-0625 as projects meeting the model **Goat Diversification Program** guidelines.

Mr. Rogers submitted projects A2003-0616 and A2003-0618 as projects meeting the model **Cattle Handling Facilities Program** guidelines.

Mr. Rogers submitted projects A2003-0622 and A2003-0640 as projects meeting the model **Hay, Straw & Commodity Storage Program** guidelines.

Mr. Moore moved the said applications be approved for the named model programs; Mr. Stewart seconded the motion. The motion passed without dissent.

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<sup>1</sup> A detailed list of the referred projects is attached as Appendix A.

<sup>2</sup> A detailed list of projects funded under each model program category is attached as Appendix B.

## Committee Reports

### Blue Project Review Committee

Smith Mitchell reported for the Blue Project Review Committee (PRC). Mr. Mitchell noted that the Blue PRC is presenting four (4) projects for funding consideration.

Mr. Mitchell presented **Cumberland Farm Products, Inc. (A2003-0604)**. The application received a high priority from Wayne County. Cumberland Farm Products, Inc. requested \$25,500 in Wayne County funds and \$161,815 in state funds for a total request of \$187,315. Agricultural Development funds in the amount of \$94,300 would be used to purchase 600 large plastic bins to replace outdated wooden bins and to repair one of the coolers at the Monticello facility. \$93,015 in Agricultural Development Funds would be used to cover operating expenses for the period of November 2003 through June 2004. Cumberland Farm Products needs operating capital in order for staff to work during the off-season to develop marketing strategies, recruit new members, attend trainings, conduct research and make repairs and maintenance to the facilities.

Cumberland Farm Products (CFP) currently operates out of two facilities located in Russell Springs and Monticello. CFP currently markets the produce of 157 farmers and accesses its vegetables from over 500 acres, primarily marketing tomatoes, peppers, cabbage and pumpkins. Farm families in at least 11 counties are impacted by this cooperative.

Mr. Mitchell moved that A2003-0604 be approved for \$161,815 in state and \$25,500 in Wayne County Agricultural Development Funds<sup>3</sup>; Mr. Stewart seconded the motion. The motion passed without dissent.

Mr. Mitchell presented **Mountain Cattlemen's Association (A2003-0623)**. The application received a high priority from Floyd County. The Floyd County Agricultural Development Council wishes to contribute an additional \$1,000 to the Heifer Development Project (P2003-0076) to allow more Floyd County beef producers the opportunity to participate in this program. The County has previously contributed \$250 to this project in 2001.

Mr. Mitchell moved that A2003-0623 be approved for \$1,000 of Floyd County Agricultural; Ms. Harkins seconded the motion. The motion passed without dissent.

Mr. Mitchell presented **Johnson County Agricultural Advancement Council (A2003-0624)**. The application received a high priority from Johnson County. The applicant requests \$7,738 in Johnson County Agricultural Development Funds to purchase a vegetable transplanter and bed shaper / mulch layer for rental by Johnson County produce growers. The success of this project will be measured in the number of acres of produce added each year, the number of sellers at the

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<sup>3</sup> The Blue Committee discussed and recommended this project for funding as an addition/modification to CFP's existing forgivable loan (A2003-0099). However, this intent was not clearly expressed at the full Board meeting.

Johnson County Farmers' Market, and the total sales of vegetables by the participating producers.

The applicant anticipates 10 farm families will benefit in the first year, but will publicize the equipment to increase potential participation. The applicant indicates that most of the potential participants derive income from tobacco production.

Mr. Mitchell moved that A2003-0624 be approved for \$7,738 in Johnson County Agricultural Development Funds; Mr. Slaughter seconded the motion. The motion passed without dissent.

Mr. Mitchell presented **Licking River Valley RC&D Council (A2003-0626)**. The application received a high priority from Harrison County. The Licking River Valley RC&D Council, Inc. requested \$3,000 of Harrison County funds to purchase a Sheeps-foot roller for shared use in Harrison County. A Sheeps-foot roller is a vital piece of equipment that farm producers and contractors will be able to use to help alleviate the chronic problem of leaky ponds. It is a simple piece of equipment that can be pulled behind a tractor or bulldozer to compact the soil in ponds, and thereby correct the "leaky pond" syndrome. Maintaining a reliable source of water is a critical factor for farm producers. This piece of equipment will improve existing ponds and help guarantee the success of ponds that will be constructed in Harrison County in the future. The Licking River Valley RC&D Office will coordinate arrangements for its use.

Mr. Mitchell moved that A2003-0626 be approved for \$3,000 in Harrison County Agricultural Development Funds; Ms. Harkins seconded the motion. The motion passed without dissent.

#### Red Project Review Committee

Sam Lawson reported for the Red Project Review Committee (PRC). Mr. Lawson noted that the Red PRC is presenting four (4) projects for funding consideration.

Mr. Lawson presented **Gone Fishin: Commercial Fish Farm Operation (A2003-0413)**.

The application received a high priority from Butler County. The applicant requested \$118,500 in state and county funds to establish a commercial catfish processing facility in Butler County. The applicants will purchase locally grown catfish. They have identified thirty-five producers that are currently raising catfish or are interested in raising catfish to sell to the Butler County processing operation. Initially the applicants will supply fresh catfish to a regional grocery chain with plans to diversity their customer base to those businesses like restaurants and convenient stores that are interested in selling fresh catfish. The applicant also plans to open a retail business as part of the processing operation.

Mr. Lawson reviewed the proposed terms and conditions for the project. Mr. Lawson moved that A2003-0413 be approved for \$5,000 in Butler, \$5,000 in Warren and \$98,500 in state Agricultural Development Funds; Ms. Harkins. The motion passed without dissent.

Mr. Lawson presented **Washington County Cattlemen Association (A2003-0555)**. The application received a high priority from Washington County. The Washington County Cattlemen Association, Inc. requested \$125,000 in Washington County Agricultural Development Funds to continue a program that includes funding for three model programs and record keeping system called Cattle Herd Appraisal Program (CHAPS).

The proposal is set up as a three-year program. After committing to the program each farm family will be eligible to receive \$4,250 on a 50/50 cost share basis for the genetics program, cattle handling facilities, forage and record keeping. The recording keeping or CHAPS is a required tool.

The first year the producer is to implement the CHAPS record keeping system. The first season of calves to be recorded will be the calves coming from the producers current practice. During the first year the producer will also be restricting his pastures for the use of rotational grazing through improved forages, additional watering capabilities and smaller pastures. Facilities will be renovated for the smooth handling of cattle causing less stress on the cattle as well as the producer. Improved genetics will be obtained by using a bull or semen according to approved EPDs.

The second year of the program the producer will record the calves, again using the CHAPS program and should expect to see improvement in their weaning weights.

The third year the producer will have implemented all four phases of the beef enhancement program. The producer will be recording increased weaning weights in calves, have additional forages enabling the producers to stockpile forages for winter grazing, give the consumer higher quality of beef while increasing the net farm income.

Mr. Lawson reviewed the proposed terms and conditions for the project. Mr. Lawson moved that A2003-0555 be approved for \$125,000 in Washington County Agricultural Development Funds; Mr. Moore seconded the motion. The motion passed without dissent.

Mr. Lawson presented **Morgan County 4-H Council (A2003-0613)**. The application received a high priority from Morgan County. Morgan County 4-H Council is proposing the use of \$21,000 of Morgan County funds to assist in developing an agri-business training program for youth. \$17,500 will be set aside for \$500 grants to 35 individuals, to be matched with \$500 from each youngster. Funds will be used by the youth for various agricultural projects (both livestock and crops) and youth will be required to complete an agricultural entrepreneurship course based on the Kaufman Foundation Youth Business Development curriculum. Each youngster will be required to maintain ownership of animals until completion of his or her project and each participant will be required to make a presentation about the project to the local 4-H grant committee.

\$1,000 of Agricultural Development Funds will match \$2,000 coming from the Kaufman Foundation. The remaining \$ 2,500 will be used to purchase supplies and teaching materials for the entrepreneurship training program. These funds will be matched with monies generated by the local 4-H Council.

Mr. Lawson reviewed the proposed terms and conditions for the project. Mr. Lawson moved that A2003-0613 be approved for \$21,000 in Morgan County Agricultural Development Funds; Mr. Stewart seconded the motion. The motion passed without dissent.

Mr. Lawson presented **Owensboro Community College (A2003-0614)**. The application received a high priority from Daviess County. Owensboro Community College requested \$ 20,000 in Daviess County Agricultural Development Funds to expand their Agriculture Technology Program with a greenhouse facility for students and adult education with emphasis on how to enhance value added agronomic practices.

Mr. Lawson moved that A2003-0614 be approved for \$20,000 in Daviess County Agricultural Development Funds; Mr. Hunt seconded the motion. The motion passed without dissent.

## Review of Amendments

Mr. Rogers presented the following amendments for approval.

**A2001-0658, Powell County Livestock Producers Association, Inc.**, was approved for \$36,750.00 on November 30, 2001. The recipient requests a decrease in project funds of \$1,245.86 for the Cattle Handling Program. These funds are to be reallocated to the Genetics Program. Approval of this request will bring the project funds to \$35,504.14.

**A2001-0543, Buffalo Trace Area Development District (Robertson)**, was approved for \$105,000.00 on September 21, 2001. The recipient requests a decrease in project funds of \$40,000.00 for the Cattle Genetics Program. These funds are to be reallocated to the Agricultural Diversification Program (A2003-0502). Approval of this request will bring the project funds to \$65,000.00.<sup>4</sup>

**A2003-0502, Buffalo Trace Area Development District (Robertson)**, was approved for \$40,000.00 on September 19, 2003. The recipient requests an increase in project funds of \$40,000.00 for the Agricultural Diversification Program. These funds shall be reallocated from the Cattle Genetics Program (A2001-0543). Approval of this request brings the project funds to \$80,000.00

**A2002-0262, Menifee County Conservation District**, was approved for \$38,000.00 on May 17, 2002. The recipient requests a decrease in the project funds of \$5,365.15 for the Cattle Handling Program. The funds shall be reallocated to the Agricultural Diversification Program (A2003-0224). Approval of this request brings the total project funds to \$32,634.85.

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<sup>4</sup> The original approval amount and the ending balance after approval have been corrected from what was presented to the Board.

**A2002-0024, Meniffee County Conservation District**, was approved for \$105,000.00 on March 15, 2002. The recipient requests a decrease in the project funds of \$29,845.02 for the Forage Improvement Program. The funds shall be reallocated to the Agricultural Diversification Program (A2003-0224). Approval of this request brings the total project funds to \$75,154.98

**A2003-0224, Meniffee County Conservation District**, was approved for \$39,000.00 on July 18, 2003. The recipient requests an increase of \$35,210.17 for the Agricultural Diversification Program. The funds shall be reallocated from the Cattle Handling Program (\$5,365.15) and the Forage Program (\$29,845.02). Approval of this request brings the project total to \$74,210.17

**A2002-0591, Owsley County Conservation District**, was approved for \$51,500.00 on November 15, 2002. The recipient requests a decrease of \$25,000.000 from the Cattle Handling Program. These funds shall be reallocated to the Agricultural Diversification Program (A2003-0190). Approval of this request brings the project total to \$26,500.00.

**A2003-0190, Owsley County Conservation District**, was approved for \$51,500.00 on May 16, 2003. The recipient requests an increase of \$25,000.00 for the Agricultural Diversification Program. These funds shall be reallocated from the Cattle Handling Program (A2002-0591). Approval of this request brings the project total to \$76,500.00.

**A2003-0408, Clinton County Farm Bureau, Inc.**, was approved for \$80,000.00 on August 15, 2003. The recipient is withdrawing their intent to administer this program and wishes to release the committed money back to the county. Another organization in the County intends to apply for this program. Approval of this request brings the project total to \$0.00 and will have a Board Decision of "Withdrawn" in the application tracking system.

**A2001-0001, Commonwealth AgriEnergy (CAE) Loan Agreement:** The company, in order to save on its *ad valorem* property tax, has elected to pursue a \$15 million industrial revenue bond issues whereby the City of Hopkinsville will issue bonds in accordance with KRS 103, then purchase and lease the property back to the company for the life of the bond issue.

The transfer of the property requires the consent of both the Agricultural Development Board and CoBank, the lenders for the CAE project. The Subordination Agreement was presented, as well.

Mr. Moore moved that the above amendments be approved; Mr. Hunt seconded the motion. The motion passed without dissent.

## Recommendations for No-Funding<sup>5</sup>

Mr. Lawson presented project A2003-0609 as projects recommended for no funding by the project review committees. Mr. Lawson did note that the committee recommended funding the County portion, if the priority sheet indicated such if state funds were denied. Mr. Lawson moved that no funding be awarded to the State portion and funding the County portion with the above provision; Ms. Harkins seconded the motion. The motion passed without dissent.<sup>6</sup>

## Recommendations for Pending<sup>7</sup>

Each Committee presented projects from the November Referral List they wish to pend. All projects were pended by acclamation.

Mr. Lawson noted that the Red Project Review Committee had lengthy discussion about A2003-0608, PIC USA. Mr. Lawson moved to endorse the project, but kept in pending status for negotiation by staff; Mr. Moore seconded the motion. The motion passed without dissent.

## Other Business

Mr. Rogers yielded the floor to Sam Moore who read the following resolution of the Board for Commissioner Billy Ray Smith:

A RESOLUTION in honor of Billy Ray Smith for his service as Commissioner of Agriculture for the Commonwealth of Kentucky, and Vice-Chairman of the Kentucky Agricultural Development Board.

WHEREAS, it seems appropriate from time to time for this Board to reflect upon the contributions and invaluable leadership of a special Kentuckian who has enriched the lives of so many people and helped to change the face of Kentucky's farm economy and the role of agriculture in Kentucky as a whole; and

WHEREAS, Billy Ray Smith, a resident of Warren County, Kentucky, deserves recognition and honor for his eight years as Commissioner of Agriculture, and five years as Vice Chairman of the inaugural Kentucky Agricultural Development Board, where he was instrumental in the creation, support, and continuation of Kentucky's revolutionary agricultural policies by the Kentucky Department of Agriculture and the Kentucky Agricultural Development Board; and

WHEREAS, Billy Ray Smith is commended for his outstanding work and leadership of the Kentucky Department of Agriculture during a very difficult period in Kentucky agriculture, during which he has made Kentucky one of the leading

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<sup>5</sup> Detailed list of projects for a no-funding recommendation listed in Appendix C.

<sup>6</sup> The Fleming County Council did not wish to commit county funds, if state funds were denied for this project.

<sup>7</sup> Detailed list of projects for a pending recommendation listed in Appendix D.

Agricultural Departments in the United States with innovative programs for developing Kentucky value added and diversified products as well as both national and international markets for these products; and

WHEREAS, Billy Ray Smith is commended for his vision and leadership as both Commissioner of Agriculture and Vice Chair of the Kentucky Agricultural Development Board in helping create House Bill 611 and the leading in the implementation of the Agricultural Development Fund using half of Kentucky's proceeds from the national tobacco settlement, which represents the largest state-financed agricultural diversification effort in the history of the United States; and

WHEREAS, Billy Ray Smith is commended for his hard work and dedication as Vice Chair of the Kentucky Agricultural Development Board and Chair of the renewed Kentucky Agricultural Finance Corporation, where he has overseen the analysis of over 1900 new farm business project proposals and funding of over 1100 projects and programs all across the state to partner with applicants and commit over \$112 million toward the revitalization of Kentucky's farm economy through on-farm capital improvements, new market development through value-added processing, new technical assistance programs, and generally strengthened the relationship between agriculture and economic development in Kentucky; and

WHEREAS, Billy Ray Smith is recognized as having served on numerous boards and received many awards, but he is particularly commended for having represented Kentucky by serving as president of the National Association of State Departments of Agriculture (NASDA) and as president of the Southern Association of State Departments of Agriculture (SASDA).

NOW, THEREFORE,

Be it resolved by the Agricultural Development Board of the Commonwealth of Kentucky:

Section 1. This honorable body hails and salutes "The Commissioner"; Billy Ray Smith for his insight, dedication, vision, leadership and compassion, and we hereby congratulate and honor him on the end of his term and his departure from public life.

Section 2. The Kentucky Agricultural Development Board hereby on this day, December 21, 2003, offers the good wishes, gratitude, and thanks of the Board to for his commitment, dedication and passion to this Board, the Kentucky Department of Agriculture and to the agricultural community of Kentucky.

Section 3. The Secretary of the Kentucky Agricultural Development Board is hereby directed to transmit a copy of this Resolution to Mr. Billy Ray Smith, 2085 Barren River Road, Bowling Green, Kentucky 42101.

Commissioner Smith commented on the last eight years and looked to the future. Commissioner Smith noted the dedication and hard work of this Board and wished



everyone the best for the future. Commissioner Smith quoted an unnamed politician, "Terms of office end, but relationships and friendships never end."

### **Closing Remarks**

The next meeting of the Kentucky Agricultural Development Board will convene at 1:00 p.m. on Friday, January 16, 2003 at Franklin County Extension Office, Frankfort. Note time and location of meeting subject to change; ample notification will be given if such a change occurs.

The meeting adjourned at 4:15 p.m.

**APPROVED:** \_\_\_\_\_

**PRESIDING OFFICER:** \_\_\_\_\_

**SECRETARY:** \_\_\_\_\_

**APPENDIX A: *New Applications for Referral***

<b><i>Appl #</i></b>	<b><i>Project Name</i></b>	<b><i>Project Type</i></b>
A2003-0627	Skad / Pulaski County Conservation District	Forage Improvement
A2003-0628	Larue County Farm Bureau	Hay, Straw and Commodity Storage
A2003-0629	Cumberland Farm Products Association, Inc	Project
A2003-0630	The Louisville Agricultural Club, Inc.	Genetics Improvement
A2003-0631	The Louisville Agricultural Club, Inc.	Handling Facilities Cost Share
A2003-0632	The Louisville Agricultural Club, Inc.	Forage Improvement
A2003-0633	The Louisville Agricultural Club, Inc.	Hay, Straw and Commodity Storage
A2003-0634	The Louisville Agricultural Club, Inc.	Genetics Improvement
A2003-0635	The Louisville Agricultural Club, Inc.	Hay, Straw and Commodity Storage
A2003-0636	The Louisville Agricultural Club, Inc.	Handling Facilities Cost Share
A2003-0637	The Louisville Agricultural Group, Inc.	Handling Facilities Cost Share
A2003-0638	The Louisville Agricultural Group, Inc.	Forage Improvement
A2003-0639	Grant County Extension Council	Forage Improvement
A2003-0640	Powell County Hay & Straw Storage Program	Hay, Straw and Commodity Storage
A2003-0641	LaRue County Dairy Diversification Program	Agricultural Diversification
A2003-0642	Owsley County Conservation District	Agricultural Diversification
A2003-0643	Owsley County Conservation District	Fencing Improvement
A2003-0644	Trigg County Cattlemen's Association	Fencing Improvement
A2003-0645	Whitley County Cattlemen's Association	Handling Facilities Cost Share
A2003-0646	Bluegrass Boar Goat Association, Inc.	Goat Diversification
A2003-0647	Adair County Cattlemen's Association	Hay, Straw and Commodity Storage
A2003-0648	Adair County Cattlemen's Association	On-farm Water Enhancement

**APPENDIX A: *New Applications for Referral***

<b><i>Appl #</i></b>	<b><i>Project Name</i></b>	<b><i>Project Type</i></b>
A2003-0649	Adair County Cattlemen's Association	Fencing Improvement
A2003-0650	Adair County Cattlemen's Association	Agricultural Diversification
A2003-0651	Powell County Livestock Producers Association	Fencing Improvement
A2003-0652	Purchase Area Development District	Project
A2003-0653	DUPLICATE	Project
A2003-0654	Kentucky Highlands Investment Corporation	Project
A2003-0655	Kentucky Ketch, Inc.	Goat Diversification
A2003-0656	Shelby County Cattlemen, Inc.	Genetics Improvement
A2003-0657	Kentucky's Finest Sausage	Project
A2003-0658	Shelby County Cattlemen, Inc.	Genetics Improvement
A2003-0659	Shelby County Cattlemen, Inc.	Forage Improvement
A2003-0660	Johnson County Conservation District	Handling Facilities Cost Share
A2003-0661	Magoffin County Cattle Association Inc.	Handling Facilities Cost Share
A2003-0662	SKAD/Pulaski County Conservation District	Hay, Straw and Commodity Storage

## APPENIDIX B: *Model Program Lists*

### ***Agricultural Diversification***

<b><i>App #</i></b>	<b><i>Project Name</i></b>	<b><i>County</i></b>	<b><i>Funds</i></b>
2003-0610	Jackson Purchase RC&D Foundation, Inc.	Hickman	\$5,900.00
A2003-0642	Owsley County Conservation District	Owsley	\$26,000.00
A2003-0600	Buffalo Trace Area Development District	Robertson	\$85,000.00
A2003-0430	Kentucky Heartland Nursery Association	Taylor	\$20,000.00

### ***Fencing Improvement***

<b><i>App #</i></b>	<b><i>Project Name</i></b>	<b><i>County</i></b>	<b><i>Funds</i></b>
A2003-0620	Harrison County Beef Cattle Association	Harrison	\$150,000.00
A2003-0643	Owsley County Conservation District	Owsley	\$78,000.00
A2003-0651	Powell County Livestock Producers Association	Powell	\$25,100.00

### ***Forage Improvement***

<b><i>App #</i></b>	<b><i>Project Name</i></b>	<b><i>County</i></b>	<b><i>Funds</i></b>
A2003-0621	Clark County Conservation District	Clark	\$104,000.00
A2003-0639	Grant County Extension Council	Grant	\$16,675.00

### ***Genetics Improvement***

<b><i>App #</i></b>	<b><i>Project Name</i></b>	<b><i>County</i></b>	<b><i>Funds</i></b>
A2003-0619	SKAD/ Pulaski County Cattlemen's Association	Pulaski	\$75,000.00

### ***Goat Diversification***

<b><i>App #</i></b>	<b><i>Project Name</i></b>	<b><i>County</i></b>	<b><i>Funds</i></b>
A2003-0646	Bluegrass Boar Goat Association, Inc.	Fayette	\$25,000.00
A2003-0625	Harrison County Beef Cattle Association	Harrison	\$15,000.00
A2003-0617	SKAD/Pulaski County Meat Goat Producers Association	Pulaski	\$30,000.00
A2003-0605	Rockcastle Goat Producers Association	Rockcastle	\$1,500.00
A2003-0606	Rockcastle Goat Producers Association	Rockcastle	\$10,000.00

### ***Handling Facilities Cost Share***

<b><i>App #</i></b>	<b><i>Project Name</i></b>	<b><i>County</i></b>	<b><i>Funds</i></b>
A2003-0616	Grayson County Cattlemen's Association Inc.	Grayson	\$25,000.00
A2003-0618	SKAD/ Pulaski County Cattlemen's Association	Pulaski	\$50,000.00

### ***Hay, Straw and Commodity Storage***

<b><i>App #</i></b>	<b><i>Project Name</i></b>	<b><i>County</i></b>	<b><i>Funds</i></b>
A2003-0622	Harrison County Beef Cattle Association	Harrison	\$94,000.00
A2003-0640	Powell County Hay & Straw Storage Program	Powell	\$20,300.00

## **APPENDIX C: *Recommendations of No Funding***

<b><i>App #</i></b>	<b><i>Project Name</i></b>	<b><i>County</i></b>
A2003-0609	Fleming County School Board	Fleming

**APPENIDIX D: *Recommendations for Pending***

<b><i>App. #</i></b>	<b><i>Project Name</i></b>	<b><i>County</i></b>
A2003-0607	KY Shitake Mushroom Growers Association	Jefferson
A2003-0608	PIC USA, Inc.	Simpson
A2003-0611	Boones' Abattoir, Inc.	Shelby
A2003-0612	Natural Resources and Environmental Protection Cabinet	Franklin
A2003-0615	Bath County Agricultural Extension Foundation	Montgomery